



# Obamacare: An Indiana policy orphan

GOP loathes ACA,  
Dems won't defend,  
but a final verdict  
is years away

By **BRIAN A. HOWEY**

INDIANAPOLIS – In the Hoosier State, Obamacare is a policy orphan and a potential political liability.

The Republicans still vow to kill it and openly loathe it. Congressional offices normally dedicated to constituent service have largely taken a pass on Obamacare. Democrats have not defended the Affordable Care Act in any conspicuous way as the party sinks into irrelevance. Gov. Mike Pence is attempting to bend it into the market forces the GOP could have opted for when they controlled the White House and both chambers of Congress



Gov. Mike Pence makes an appeal to President Obama for a federal waiver on HIP 2.0 in Evansville last October. (White House Photo)

between 2001 and 2007.

In May 2011, then-Gov. Mitch Daniels surveyed Obamacare and made no effort to hide his contempt. "No. 1, I believe it will be disastrous as far as health care policy," Daniels said. "No. 2, it will make the deficit far, far worse and now everybody understands. It should have been obvious all along. No. 3, it represents another government takeover of the private sector. We saw it in housing, we saw it in autos, we saw it in student loans. We've seen it in finance and banking and here comes another conquest of the private economy which I think is a very bad idea from a freedom standpoint and

**Continued on page 3**

## If Marlin had held out ...

By **MARK SCHOEFF JR.**

WASHINGTON – Congress wrapped up a lackluster session Tuesday night that could have been even more volatile had U.S. Rep. Marlin Stutzman stuck to his guns.

Last week, Stutzman, R-3rd CD, cast the deciding vote that allowed the House to proceed to a \$1.1 trillion spending bill that ultimately was narrowly approved, 219-206. Stutzman opposed the final bill. He could have killed it altogether had he also voted against the rule that enabled floor debate on the measure.

Like many other conservatives, Stutzman was upset that the so-called cromnibus legislation did not directly con-



**"I would be more than open to recommendations by Members of the General Assembly to expand education opportunities for more members of the Indiana National Guard in the coming session."**

*- Gov. Mike Pence*



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front the Obama administration over its executive orders on immigration. Instead, it was a combination of an omnibus appropriations measure that kept all government agencies except the Department of Homeland Security running through September. The homeland agency was given a continuing resolution through February, when Republicans can threaten it with shutdown as a way to pressure Obama on immigration policy.

**Stutzman's** explanation for his vote on the omnibus rule – the one where he was decisive in keeping it alive – echoes his comments about the government shutdown last year. At that time, he told a reporter that he wasn't sure what the GOP was trying to accomplish by grinding the government to a halt but that the effort was important.

This time, Stutzman made an unusual explanation in the most official way, through a press release.

"Earlier today, I supported the rule because I was informed by (Republican) leadership that the omnibus was dead and a short-term (continuing resolution) would take its place," Stutzman said. "I was very surprised and even more disappointed to see the omnibus back on the floor. The American people deserve better."

In published reports, aides denied that House Speaker John Boehner, R-Ohio, assured Stutzman that the omnibus was going to be discarded. That raises the question of just what Stutzman was trying to do. If he really wanted to drive a stake through the heart of the omnibus, he could have voted against the rule. That would have forced House leadership to advance its backup plan, a three-month continuing resolution.

**Stutzman was** not made available for an interview, and his spokesman declined to comment.

That leaves us pondering questions about Stutzman heading into the new Congress next year. Will he develop into an influential hard-line conservative who can sway close

votes and be a constant challenge for Boehner? Or will he simply be a quirky back bencher who commands attention because everyone wants to see what he'll say and do next?

**He has proved** that he can make his presence felt, at least momentarily. Last year, he forced the House to split the farm bill into one measure that addressed agricultural programs and another that focused on food stamps. But the legislation was eventually recombined and approved over Stutzman's objections.

During the just-concluded lame-duck session of Congress, Stutzman again put himself in the opposition camp that ultimately came up short. Essentially, he joined the van-



guard led by Sen. Ted Cruz, R-Texas, who forced the Senate to delay a vote on the omnibus so that it would take up a measure to stop the Obama administration's immigration executive order.

**Cruz's gambit failed**, and drew the opprobrium of many of his Senate GOP colleagues. They resented that he threw sand in the gears of Senate procedure to force action on immigration that had no chance of succeeding.

Stutzman was the only member of the Indiana congressional delegation who was part of the Cruz caucus during the lame-duck session. Other conservatives who have lined up behind the rambunctious Texan in the past chose to stand with House leadership this time and get the spending bill over the line.

U.S. Rep. Todd Rokita, R-4th CD, for instance, highlighted the fact

that the bill cut funding for the Environmental Protection Agency and the Internal Revenue Service. It wasn't everything he wanted, but the benefits of the measure outweighed the drawbacks, he concluded. "This is a good bill with dozens of gains to be locked in," he said.

**Just as almost all Hoosier** Republicans decided to cast their lot with their get-things-done leadership, a Hoosier Democrat also backed his leadership – and the White House.

Democratic Sen. Joe Donnelly voted in favor of the omnibus, putting himself on the other side of his party's suddenly assertive liberal wing that tried to derail the measure because of a provision that would alter a derivatives provision of the financial reform law. The Senate approved the legislation, 56-40.

"This bill is far from perfect, but I supported it because Hoosier families and businesses cannot afford another shutdown," Donnelly said in a statement.

**In staking out his** position on the omnibus, Donnelly also has set himself up as someone to watch next year. His actions could be crucial in determining how the Senate Democrats operate in the minority. They have plenty of votes to sustain filibusters, but the party will need to have Donnelly on board to make such a strategy work.

The decisions that Stutzman and Donnelly make next year will help set the tone, and determine the productivity, of the new Congress. ❖

**Schoeff is HPI's Washington correspondent.**

## Obamacare, from page 1

a very bad idea in terms of remaining a nation of opportunity."

Beyond the propaganda, the policy picket lines and all the whistling past the death panels and graveyards, how is Obamacare doing, both nationally and here in Indiana?

It's a mixed picture.

Over the years, Republicans repeatedly told us that Obamacare was a job killer while it would send the federal budget deficit skyrocketing. In 2014, the first full year of Obamacare, the U.S. unemployment rate dropped from 6.7% in January to 5.8% in November, when 321,000 jobs were added to the work force, the 10th

consecutive month where the number topped 200,000. In Indiana, the jobless rate declined from 6.8% in December 2013 to 5.7% in October.

The \$483 billion deficit for 2014 was the smallest since George W. Bush's last full year as president, according to the Daily Finance website. When measured against the size of the economy, the deficit equaled 2.8% of gross domestic product, below the average for the last four decades. By comparison, the deficit for 2013 was \$680 billion, or 4.1% of GDP. The Congressional Budget Office is forecasting that the deficit for the 2015 budget year, which runs through next September, will fall to \$469 billion from

\$483.3 billion in 2014. That would be an improvement of 3% for the full year.

In April 2011, the U.S. had a \$1.5 trillion deficit, prompting President Obama to propose a "comprehensive, balanced deficit reduction framework" designed to rein in U.S. government spending, reduce the country's debt and strengthen its battered fiscal reputation. Under this plan, the nation's debt would represent 2.5% of its gross national product (GDP) – the market value of all the goods and services a country produces – by 2015, heading toward 2% by 2020, Daily Finance reported.

Bloomberg News reported on Dec. 10: The budget deficit in the U.S. narrowed more than economists projected in November from a year earlier, Treasury Department figures showed, as rising employment helped boost receipts and spending fell. Outlays exceeded receipts by \$56.8 billion last month, compared

with a \$135.2 billion shortfall a year earlier, the department said in a report released in Washington. The median estimate in a Bloomberg survey of 21 economists was for a \$64 billion deficit. Stronger hiring has helped to shrink the country's annual deficit from a record \$1.42 trillion in 2009, and economists expect the decline to continue in the fiscal year that started Oct. 1. The Treasury in October said the shortfall in the 12 months ended Sept. 30 was \$483 billion, or 2.8% of gross domestic product, and the Congressional Budget Office said in August that it expects the deficit to shrink to 2.6% of GDP this fiscal year.

"The trend is toward smaller and smaller deficits,"





Paul Edelstein, U.S. economist and director of financial economics at IHS Global Insight told Bloomberg News. "The improving economy is boosting tax revenues."

## 130,000 more Hoosiers are insured

More Hoosiers are now insured. Carla Anderson of the healthinsurance.org website, reported that during 2014 open enrollment, 132,423 Hoosiers signed up for qualified health plans, according to federal government reports. Eighty-nine percent qualified for financial assistance. In addition, 95,495 people qualified for Medicaid or the Children's Health Insurance Program (CHIP) under existing eligibility rules.

When 2015 open enrollment began on Nov. 15, Indiana residents found the number of insurers doubling, going from four to nine. And, the number of available plans jumped from 278 to 975, according to healthinsurance.org.

According to the Kaiser Foundation, Indiana ranked 19th in the nation in its pre-Obamacare uninsured rate with 14.8% of the population uninsured. That is projected to decline to 12.78%, or a 2.02% decrease.

Massachusetts with its "RomneyCare" health plan had a 4.35% uninsured rate pre-Obamacare, and 1.2% afterwards. Kentucky, with one of the best performing state exchanges, saw its uninsured rate decline 8.95% from 17.3% to 9.6%, according to Rand Corporation.

The states with the highest uninsured rates include Texas at 26.8%, Nevada at 26.5%, Florida at 24.7%. The national rate was 17.87% in pre-Obamacare uninsured, 14.2% post-Obamacare for a decline of 3.66%.

The Urban Institute Health Policy Center reported that the number of uninsured nonelderly adults fell by an estimated 10.6 million between September 2013 and September 2014 in the United States, a drop of 30.1% in the uninsured rate. In September 2014, the uninsured rate for nonelderly adults was estimated to be 12.4% for the nation, a drop of 5.3 percentage points since September 2013. Adults in states that implemented the ACA's Medicaid expansion sustained the largest coverage gains from the previous quarter, and insurance coverage also rose sharply for adults in nonexpansion states. The uninsured rate for adults in expansion states dropped 5.8 percentage points since September 2013; the rate dropped 4.8 percentage points in the nonexpansion states. This is

a decline in the uninsured rate of 36.3% in expansion states and 23.9 percent in nonexpansion states.

In a special New England Journal of Medicine report, an analysis of nationally representative survey data from January 2012 through June 2014, found a significant decline in the uninsured rate among nonelderly adults that coincided with the initial open-enrollment period under the ACA. Combined with 2014 Census estimates of 198 million adults 18 to 64 years of age, this corresponds to 10.3 million adults gaining coverage, although depend-

ing on the model and confidence intervals, our sensitivity analyses imply a wide range from 7.3 to 17.2 million adults.

TMP reported that a key provision of the Affordable Care Act that was designed to keep insurers from overspending on administrative costs or else be forced to rebate premiums to customers "looks to be succeeding in not only reducing those costs but in lowering premiums."

"The medical loss ratio requirement and rate review mandated by the ACA put downward pressure

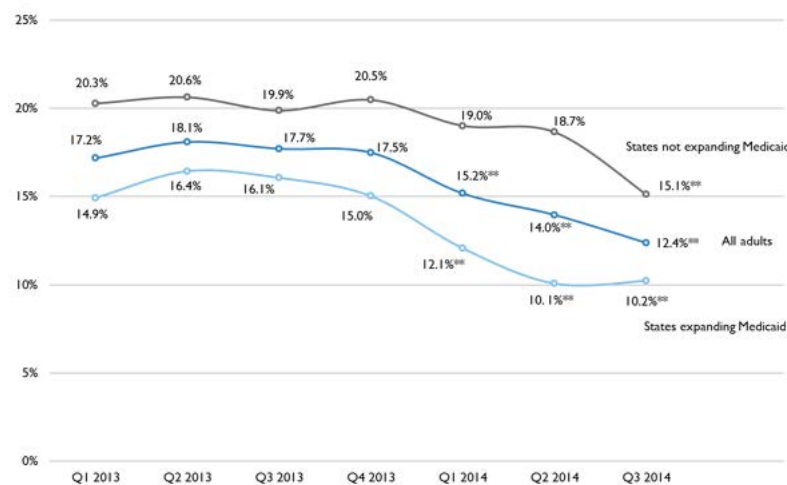
on premium growth," officials from the federal Centers for Medicare and Medicaid Services wrote in their report, according to TMP. Overall private insurance spending, of which premiums are a part, grew at a 2.8% rate, the lowest since at least 2007. As Larry Levitt, vice president at the non-partisan Kaiser Family Foundation, put it to TMP in an email: "That is how it's intended to work."

CNBC reported that people with insurance through an employer are paying more in premiums and deductibles than ever before as those costs outpace the growth of wages. Total premiums for covering a family through an employer-based plan rose 73% from 2003 through 2013, while workers' personal share of those premium costs leaped 93% during the same time frame, the Commonwealth Fund report said, according to CNBC. At the same time, median family income grew just a measly 16%. Families are "being squeezed by health-care costs," said report co-author Sara Collins, vice president for Health-Care Coverage and Access at the Commonwealth Fund. "Growth in family income is so slow that people still feel a pinch from health costs."

## A personal journey

As for a personal experience, this writer spent about 30 minutes on the healthcare.gov website on Sunday evening and signed up for an Anthem Bronze Health Savings Account plan for \$546 a month. In 2014, I was

Figure 1. Trends in Uninsurance for Adults Ages 18 to 64 from Quarter 1 2013 to Quarter 3 2014



Source: Health Reform Monitoring Survey, quarter 1 2013 through quarter 3 2014.  
Notes: Estimates are regression adjusted.  
\*\*\* Estimate differs significantly from quarter 3 2013 at the .05/.01 levels, using two-tailed tests.

on a silver MDWise plan for \$714 a month. While the deductible rose from \$2,500 to \$4,000, the new plan pays 100% of preventive procedures. For instance, a colonoscopy will have zero out-of-pocket costs. In the pre-ACA era, I was facing an out-of-pocket cost of at least \$1,200.

In the two years prior to the ACA, my Anthem plan increased from \$330 a month to \$440 a month. The \$714 in the first Obamacare year was a shocker. This time around, there was more competition, more options and the cost declined, though still not below pre-Obamacare levels.

But the key element was access. As someone with a pre-existing condition, just getting on an insurance plan in the past was arduous and frustrating. With the ACA, I was able to get on a plan with about an hour of research and a 30-minute session on the website.

An informed and reliable health insurance source who has worked with several states, including Indiana, and has advised HPI on health care issues, said of the ACA over the past year, "The prediction or forecast of economic disaster to businesses caused by the ACA has not occurred and the cost shift to individuals and families has. I have not heard much about companies dropping plans and employees to avoid the penalties. That threat was loud and clear before the ACA was rolled out."

The source added, "There was some unconfirmed speculation that insurers inflated rates in 2011 and 2012 in 'preparation' for the ACA rollout last year. If so, the percentage increases now will be less than if they didn't do that."

## What's coming in the future

Here are elements of the ACA that merit watching:

■ How will the IRS reconcile subsidy problems in the upcoming tax season for 2014? The IRS track record is

### Ratings of Quality of Healthcare and Healthcare Coverage

Among those newly insured through a government exchange this year, and among all who have health insurance

	Newly insured this year*	All with health insurance**
	%	%
QUALITY OF HEALTHCARE		
Excellent	32	38
Good	42	43
Only fair	20	15
Poor	5	4

HEALTHCARE COVERAGE		
Excellent	25	29
Good	46	43
Only fair	19	22
Poor	9	5

\* Oct. 22-Nov. 11, 2014

\*\* Nov. 6-9, 2014

GALLUP

Table 1: Monthly Silver Premiums for a 40 Year Old Non-Smoker Making \$30,000 / Year							
State	Major City	2nd Lowest Cost Silver Before Tax Credit			2nd Lowest Cost Silver After Tax Credit		
		2014	2015	% Change from 2014	2014	2015	% Change from 2014
Alabama	Birmingham	\$258	\$264	2.5%	\$209	\$208	-0.8%
Alaska	Anchorage	\$380	\$488	78.4%	\$165	\$164	-0.8%
Arizona	Phoenix	\$197	\$177	-10.0%	\$197	\$177	-10.0%
Arkansas	Little Rock	\$306	\$299	-2.3%	\$209	\$208	-0.8%
California	Los Angeles	\$255	\$257	0.8%	\$209	\$208	-0.8%
Colorado	Denver	\$250	\$211	-15.6%	\$209	\$208	-0.8%
Connecticut	Hartford	\$328	\$312	-5.0%	\$209	\$208	-0.8%
Delaware	Wilmington	\$289	\$301	4.1%	\$209	\$208	-0.8%
DC	Washington	\$242	\$242	-0.2%	\$209	\$208	-0.8%
Florida	Miami	\$260	\$274	1.8%	\$209	\$208	-0.8%
Georgia	Atlanta	\$251	\$255	1.8%	\$209	\$208	-0.8%
Hawaii	Honolulu	\$183	\$200	9.3%	\$181	\$179	-0.8%
Idaho	Boise	\$231	\$210	-9.3%	\$209	\$208	-0.8%
Illinois	Chicago	\$212	\$215	1.6%	\$209	\$208	-0.8%
Indiana	Indianapolis	\$354	\$329	-7.0%	\$209	\$208	-0.8%
Iowa	Cedar Rapids	\$255	\$246	-3.5%	\$209	\$208	-0.8%

not good, Congress just slashed its budget, and if the IRS gets aggressive, that could produce a lot of public discord.

■ The longer term health cost improvement gains will come from improving wellness and preventive benefits. This promises to be the best part of the ACA but perhaps the most difficult to quantify.

■ The emergence of Accountable Care Organizations and the reporting of population health outcomes is a huge work in process and healthcare organizations need to become more transparent about what they do and how successful they are.

■ The ongoing consolidation of healthcare providers and the reduction of reimbursement will reduce access to patients at some point, HPI sources say. Insurers will squeeze providers and cut-backs in facilities and staff will occur. County hospitals are in true jeopardy, especially in Indiana without Medicaid expansion and HIP 2.0 off the table to date.

## HIP 2.0

The biggest expansion of health coverage for Hoosiers could come under Gov. Pence's Healthy Indiana Plan 2.0. He is still awaiting word

from the Obama administration.

Pence told HPI on Wednesday afternoon about a meeting he had in February 2013 with President Obama. "I looked him right in the eye and I said, 'I just want to say to you from my heart you know I'm really interested in doing this. This is not just a proposal. This is not politics.' He looked at me and said, 'Mike, I've looked over the waiver and it's a very serious proposal. I get that. I know you're sincere about it.'"

Pence added, "There's nothing in the law that would be a barrier to them approving HIP 2.0. There's no requirement of any change in the law for them to approve HIP 2.0. That's a very important point. We submitted a good faith proposal that I think is faithful to the principles of the Healthy Indiana Plan." Pence also noted that the Obama administration has already approved three HIP waivers.

If Pence can get the Centers of Medicaid/Medi-

care to sign off, it would launch the biggest health coverage expansion in modern Indiana history. But he hopes it comes mostly on his terms. (See the entire HPI Interview with Gov. Pence on pages 7-9).

## Coats and Donnelly perspectives

Indiana's two U.S. Senators are giving tell tales as to the political and policy fate of Obamacare as control of Congress shifts to Republicans.

Coats still talks of repealing Obamacare. It is almost a prerequisite for a Hoosier Republican officeholder to not only denounce Obamacare, but to argue for its repeal. The political reality is such rhetoric is necessary to fend off a potential primary challenge.

The reality on the Senate floor is that even with Republican control of the chamber, the GOP doesn't have the 67 votes necessary to override a veto by President Obama. "The odds are against us. To date we don't have any Democrats to join us," Coats said on Tuesday.

With that reality, Coats, who will join the Senate Finance Committee which will have jurisdiction over Obamacare, explained, "It needs a major overhaul. We're going to make a run at it and we'll look at individual pieces and start replacing them with other provisions."

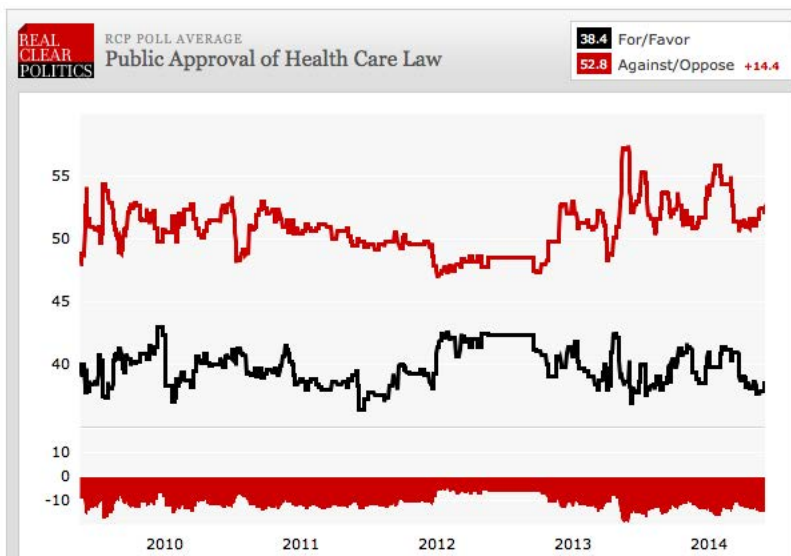
He called the coming efforts "piecemeal" and said that Republicans will look into getting "more consumer input, more consumer choices, more competition based on the ability to cross state lines, allowing small businesses or associations to form groups so they can leverage better prices and plans." There will be attempts to change the 40-hour work week as related to Obamacare employment, malpractice reform as well as the individual mandate.

For Sen. Joe Donnelly, he is Exhibit A when it comes to a red state Democrat surviving an election despite his Obamacare vote in March 2010. In fact, he's done it twice. He fended off a challenge to his House seat that year from Republican Jackie Walorski, then won his Sen-

## Public Approval of Health Care Law

Polling Data					
Poll	Date	Sample	For/Favor	Against/Oppose	Spread
RCP Average	10/8 - 12/9	—	38.4	52.8	Against/Oppose +14.4
FOX News*	12/7 - 12/9	1043 RV	38	58	Against/Oppose +20
Rasmussen Reports*	12/5 - 12/6	1000 LV	44	52	Against/Oppose +8
Quinnipiac	11/18 - 11/23	1623 RV	40	54	Against/Oppose +14
Gallup	11/6 - 11/9	828 A	37	56	Against/Oppose +19
Pew Research	11/6 - 11/9	1353 A	45	51	Against/Oppose +6
CBS News	10/23 - 10/27	1269 A	36	55	Against/Oppose +19
Associated Press/GfK	10/16 - 10/20	968 LV	31	48	Against/Oppose +17
NBC News/Wall St. Jml	10/8 - 10/12	1000 RV	36	48	Against/Oppose +12

All Public Approval of Health Care Law Polling Data



ate seat against Richard Mourdock, a vociferous opponent of Obamacare. From the earliest moments of passage, Donnelly maintained that Obamacare would be a work in progress, and would need tweaks and changes.

"Many things about the ACA are really good," Donnelly told HPI on Tuesday. "For the first time people with diabetes and heart condition can get health care," he said of people with pre-existing conditions. "I had a conversation with a health system CEO right after ACA went into effect, and he said 'We saw a huge increase with a number of people with heart conditions' coming in for treatment.'" When the CEO explored the increase, he discovered that these were new patients who were able to get on health plans. "Those were all people

who didn't have health coverage before. They were just getting sicker and sicker," Donnelly said.

## A victory or a loss?

HPI's health care source, who has worked with Republican state administrations, was critical of the ACA as it was forged, and was skeptical of its potential impact. The source told HPI, "I think it's too early to call the ACA a victory or a loss. The short term signs look OK but I think the real costs are yet to come. With healthcare being the second most costly part of the household budget young families will change their buying habits soon and the economy may not be as good as the past year."

Potentially aggravating parts of the ACA that are not performing well is the scenario that the coming majority party in Washington is invested in the destruction of the ACA, as opposed to working to improve it. Democrats have lost power, and in a political context, have been reluctant to defend it, even with some of the successes and as well as pointing out how a number of the warnings on the federal deficits and job creation have not occurred.

The Real Clear Politics polling average on the ACA is 38.4% favoring, and 52.8% opposing. ❖



# Pence expects session on education, some tax relief; open to more Guard grant funding

By BRIAN A. HOWEY

INDIANAPOLIS — Gov. Mike Pence sat down with Howey Politics Indiana on Tuesday afternoon for a year-end interview and discussed the biennial budget, education needs and the pending decision from the Obama administration on Healthy Indiana Plan 2.0.



He expects the coming 2015 Indiana General Assembly session to focus on teachers and wants an "honestly balanced budget" but could rule in broader tax relief if the forecast numbers are rosier than expected. He said he is open to legislative propos-

als to fully fund education grants for Indiana National Guard members. For the second consecutive year, those higher education grants for the spring semester were rescinded due to budget considerations.

Here is our conversation that took place in the governor's Statehouse office:

**HPI:** What's your take on Jeb Bush's exploratory committee for 2016? Does he qualify as one of the Republican governors who would look good in the White House? Does that change the dynamic politically?

**Pence:** I haven't really thought about it very much. I have a lot of respect for Jeb Bush and for his record as governor. I spoke to him about a year ago when we were crafting Indiana's pre-K program. As governor of Florida, he had launched the voluntary pre-K. We talked about some of his experience with that. I haven't spoken to him in the last year.

**HPI:** How does the Republican presidential race shake out in the next six months?

**Pence:** For me, I am incredibly excited about this coming session of the General Assembly. I am encouraged about the response to our education agenda; for me this should be an education session. When I first came into

office unemployment was above 8%. One of the things I campaigned on was my commitment from reform to results. We came through a season of very strong reform in state government at many levels, but we still weren't seeing the results in the broader economy. That's why we focused on tax reform, tax relief, to really jumpstart the Indiana economy. Unemployment was over 8% when I came in and now it's 5.6%, below the national average, and our labor force is growing; I think we had the fifth largest growth in our labor force in the country in real terms, and the growth in jobs in the state was all very encouraging. We have our economy going in the right direction. Passing a very honestly balanced budget will be central to that. But focusing on the goal that I minted a week and a half ago, to see 100,000 more kids be in better schools by 2020, a broad range of policy reforms, that's the right focus for the coming session. We'll have the revenue forecast in the next week.

**HPI:** Any sneak preview on that forecast?

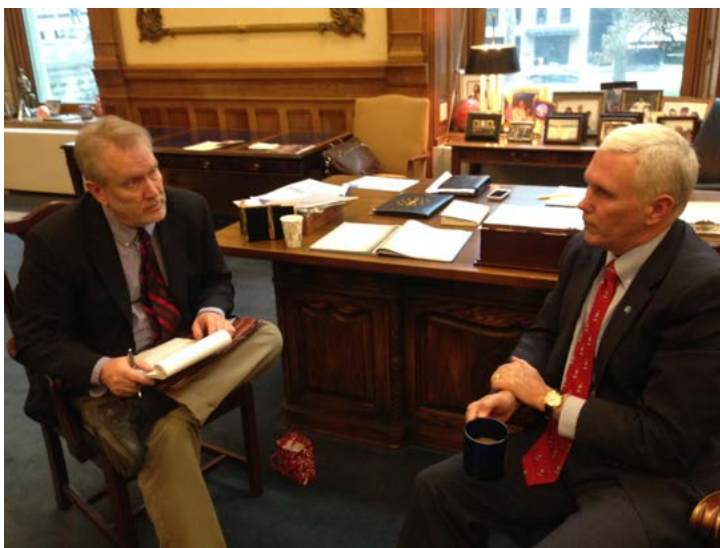
**Pence:** I have not received a sneak preview. As you can imagine, the budget we've been crafting has a plan A, a plan B and a plan C. We're going to be ready to go after the first of the year. I expect we will be able to increase funding for traditional K-12 schools, be able to increase performance funding. I want to strengthen our foundation under public charter schools financially, lift the cap on our voucher program, but I also want to advance these policy innovations that will allow traditional public schools to move resources around, to pay good teachers

more, to give more dollars into the classroom. I'd like to see more innovative operators invest in Indiana in proven models, and of course the whole subject of our turn-around schools is a big part. The other big innovation that will take up a lot of this coming session is a commitment to make vocational education a priority in every high school. It has been unanimously supported in the General Assembly. I just chatted with the superintendent and she made reference to her enthusiasm for what we're doing in career and technical education and I

am grateful for that. She's been a strong advocate for that from her office.

**HPI:** Are free text books on your radar?

**Pence:** On the career technical piece, finishing a thought on that, we spent about \$100 million on career technical education and I want to look for ways where we can spend that money smarter in ways that are more relevant to jobs available. I also want to increase the funding and create incentives for businesses to partner with our



local high schools in creating career education opportunities that are relevant to jobs available in those communities. I know there's been talk about free text books. We're looking at the revenue forecast to see if we can do some of that.

**HPI:** We've been pondering free text books for years. Decades.

**Pence:** We have. One of the things many people don't know is that school corporations have the ability now under the law to shift money for textbooks. I want to keep an open mind on that. At the end of the day, what most contributes to student achievement is having good teachers in the classrooms. One of the ways you get good teachers is that you pay good teachers more. We want to make more resources available and create policy reforms to pay good teachers more.

**HPI:** Are you concerned about the steep dropoff in Ball State teacher candidates that the Star Press reported this week?

**Pence:** I am concerned about that. Not only is my wife a school teacher, but my father-in-law was the Indiana state teacher of the year in 1986. It's one of the reasons I would like this to be a teacher-centric session . . . where the policies we pass make it more possible for us to get more dollars into the classroom and pay good teachers more. Some good analysis lately shows that when you look over the past 30 years and the amount of money that we have increased in administrative spending, versus increased teacher salaries, there's room for improvement.

**HPI:** Any updates on HIP 2.0? Isn't the federal government putting you in a box as far as not being able to get things rolling?

**Pence:** I spoke with (Health and Human Services) Secretary Burwell again on Monday. We've had an on-going dialogue since we submitted the waiver in the middle of this year. I continue to remain hopeful that federal officials will allow us to expand coverage to some 350,000 uninsured Hoosiers through the Healthy Indiana Plan.

**HPI:** Does she understand how a lack of a decision is putting Indiana in a box?

**Pence:** I've got a picture over there when I was chatting with the President outside Air Force One several months ago in Evansville (see page 1). One of the two things I said to him at the end of our 10-to 12-minute conversation was, "Time is of the essence here. We had all hoped to work in good faith and start this program on Jan. 1." And as I sit here today, the State of Indiana working

and our health providers have been working very diligently to start this program shortly after we receive approval. We haven't been waiting to start to prepare. We've been preparing. I've made that very, very clear. Time is of the essence; that is more true today. In the first two years of his administration, I was in Republican leadership. I was in meetings at least once a month with the President for one reason or another. We've always had a decent rapport. I'm about as conservative as he is liberal, but we've

always had the ability to talk to one another. That's continued since I was governor. He pulled me aside in Washington in February '13 and he kept me about 10 or 15 minutes after a luncheon at the White House, just the two of us talking. I looked him right in the eye and I said, "I just want to say to you from my heart you know I'm really interested in doing this. This is not just a proposal. This is not politics." He looked at me and said, "Mike, I've looked over the waiver and it's a very serious proposal. I get that. I know you're sincere about it."

So my hope is that the dialogue has gone forward in the months since then, there's been some give and take. We've made it very clear that we're committed to preserving the essential framework of the Healthy Indiana Plan, which is consumer-driven health care, where people make a contribution on a monthly basis. To be enrolled in the program encour-

ages people to take ownership of their own health, but beyond that we've been working through issues. I would say we still have some separation between what they're prepared to accept and what we've proposed. One other item worth noting, what we submitted could have been approved by the administration the day we submitted it. There's nothing in the law that would be a barrier to them approving HIP 2.0, and no requirement of any change in the law. That's a very important point. We submitted a good faith proposal that I think is faithful to the principles of the Healthy Indiana Plan. I did say to Secretary Burwell several months ago – and she did say she wanted me to know how committed they were – and I said to her, "Sylvia, I accept that." But I said, "I hope you know how committed we are to the Healthy Indiana Plan."

**(Publisher's note:** After the HPI audio stopped rolling, Gov. Pence said that he had had a 45-minute conversation with presidential senior aide Valerie Jarrett the night before President Obama spoke in Princeton, Ind. Pence said that Jarrett was seeking more details on HIP 2.0 and needed to apprise the President before the two





met on the Evansville tarmac the next day).

**HPI:** I've written about how higher education grants for National Guardsmen and women are not available for the spring semester, due to a lack of funding. This is the second spring semester this has happened and these guardsmen are being forced to take out student loans. As governor, would you back a fully funded program for these men and women?

**Pence:** I think the debt we owe to those who serve in uniform can never be fully repaid. I am especially grateful to be the governor of the state with the finest National Guard in the country. We have one of the largest National Guard contingents in the country. Our men and women particularly over the last 10 years since the advent of Operation Enduring Freedom and Operation Iraqi Freedom have won a national reputation for professionalism. It is truly extraordinary. Right now we have the largest deployment of the Indiana Air National Guard in 10 years. Karen and I attended the deployment ceremony in Fort Wayne. Our A-10 pilots and aircraft went down range. They have our prayers. That's all my context. I was aware of the reports about the program. I defer to the (higher education) commission and the budget amounts that have been approved by the legislature, but I would be more than open to recommendations by members of the General Assembly to expand education opportunities for more members of the Indiana National Guard in the coming session.

**HPI:** Do you feel you have your sea legs going into this biennial session more than in your first?

**Pence:** Well, that goes without saying.

**HPI:** I still can't imagine what it was like to run and win a campaign, put an administration together and come up with a biennial budget in two months.

**Pence:** We worked long hours in December 2012



piecing together our budget proposal. The prior administration had done the spadework on an agency-by-agency basis, but I can tell you the assembling of our team and making decisions about agency heads and cabinet members, we spent some long hours going line by line through the budget we would submit in January 2013. I'm proud of the budget we submitted. The budget we'll be bringing forward will have some of the same characteristics. It will be honestly balanced budget. We're going to hold the line on spending. By that I mean we will propose a budget that does not grow any faster than the family budgets of the people of Indiana, using the rate of inflation over the past 10 years as the benchmark. And we'll put a real premium on maintaining strong and adequate reserves. But beyond that I'm hopeful our revenue forecast will come through

in a way that we'll be able to increase investments, particularly in education and also beyond that, really look for opportunities to make room for the tax cuts that we've already enacted. I don't anticipate proposing broad-based tax relief, unless the revenue forecast surprises everybody, then we may reconsider that. What we are looking at are a number of targeted tax measures, beginning with tax simplifications, but also a number of other measures that will target making Indiana more competitive in attracting investment. ❖



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# Are presidential polls too early to matter?

By JACK COLWELL

SOUTH BEND – A Quinnipiac poll shows Jeb Bush favored among Republicans for their party's 2016 presidential nomination, by just a smidgen over Chris Christie. But among the general electorate, the poll finds Bush trailing Hillary Clinton by 5 percentage points, while Christie trails Clinton by only a single point, a statistical tie.

Too early to matter? A Bloomberg poll finds Clinton beating either Bush or Christie by 6 percentage points and ahead of Rand Paul by 8 and over Ted Cruz by 13.



Who cares right now? A poll of Idaho Republicans – yes, there's polling even in states as small as Idaho – finds the lead going to "Someone else/Not sure."

Reflective of an electorate not exactly focused on the next presidential race? Well, the sampling of candidate potential does matter, and the contenders know it's not too early to try to get known and look impressive in any evaluation

of potential to win the nomination and the presidency.

Most voters aren't focused on the 2016 presidential race, but important people who will decide what choices the voters will have are looking at their options right now. Those decision makers include big money contributors and political operatives who bundle hundreds of millions of dollars of those contributions to boost choices and starve out or in other ways knock out other candidates.

**Stories in the national** news media tell of prominent Republican donors trying to decide on a choice now in order to avoid a long, chaotic and damaging battle in the presidential primaries, like the costly primary circus in 2012 that got Mitt Romney off to a slow start that summer.

They also don't want to risk the nomination going in a wild scramble to some risky choice that would self-destruct in a fall campaign against Clinton,

now regarded as the likely Democratic nominee.

Some of those donors would like to see Bush or Christie or maybe Romney again, figuring one of those more established figures would have the best chance to win the White House. They wouldn't want all three running, thus splitting the party establishment vote and enabling some choice with limited appeal beyond the tea party to wind up as the nominee.

**But the big money folks** aren't just looking at those so-called big three contenders. A story in Politico tells of how the Koch brothers and their allies are building an organization for polling, message-testing, advertising and data-collecting on 250 million Americans, something to rival the organizing skill of the Obama campaign in 2012. The big conservative PACs relied too heavily in 2012 on negative TV and neglected direct appeals to the voters that seemed to be more effective.

Indiana Gov. Mike Pence, with ties to and well-received appearances before the Koch operation, has been cited as a possible choice for Koch backing if he shows signs of gaining support. Pence wasn't measured in those early polls, but indications of powerful backing, more moves toward running and enhancing appeal to voters in the early primary states could put him on the list.

Pence is trying, moving away from the more moderate approaches he took initially as governor and taking more hard-line conservative stands for which he was known in Congress.

**And now a nine-day trip** to Israel. Pence isn't going there to work on his state of the state address. Some big conservative donors want an unflinching supporter of Israel in the White House. The trip will attract news coverage, perhaps leading to listing in those polls. Also, it will bring some foreign policy credentials.

Too early to matter? It's getting late. Attract the big money early – or get left out. Get moving in the polls, or move out of the picture as the donors and other power brokers in the party decide on their choices. Their choices will determine the candidates left with much of a chance.

❖

**Colwell has covered Indiana politics over five decades for the South Bend Tribune.**

## 2016 Republican Presidential Nomination

Iowa GOP Caucus | New Hampshire GOP Primary | Democratic Nomination | General Election Match-Ups

Polling Data														
Poll	Date	Bush	Ryan	Christie	Paul	Huckabee	Carson	Walker	Cruz	Perry	Rubio	Kasich	Jindal	Spread
RCP Average	11/18 - 12/14	15.2	10.8	10.4	9.0	9.0	9.0	8.2	6.3	4.5	4.0	2.5	2.0	Bush +4.4
ABC/Wash Post	12/11 - 12/14	14	11	7	10	7	8	7	8	5	7	2	3	Bush +3
McClatchy/Marist	12/3 - 12/9	16	7	10	6	12	8	3	5	5	3	3	1	Bush +4
CNN/ORC	11/21 - 11/23	14	9	9	8	10	11	5	7	5	3	3	1	Bush +3
Quinnipiac	11/18 - 11/23	14	7	11	8	7	9	6	5	3	3	2	3	Bush +3
Rasmussen Reports	11/20 - 11/21	18	20	15	13	--	--	20	--	--	--	--	--	Tie

All 2016 Republican Presidential Nomination Polling Data



# Weigh in on the 2015 HPI Power 50 List

By **BRIAN A. HOWEY**

INDIANAPOLIS – Since 1999, Howey Politics has presented the Power 50 list as a guide to who is most likely to shape events in the coming year.

As always, we hope it stirs a debate that lends to good governance and policy that creates a better Indiana for the 6.7 million of us who call Indiana home.


Please send us your nominees, or submit an entire list to me at [bhowey2@gmail.com](mailto:bhowey2@gmail.com). We'll publish the 2015 list in our Jan. 15, 2015, edition.

## HPI's 2014 Power 50 List

1. Gov. Mike Pence
2. Speaker Brian Bosma
3. Senate President David Long
4. FSSA Commissioner Deb Minott
5. State Rep. Tom Dermody
6. Curt Smith, Micah Clark and Eric Miller
7. Megan Robertson
8. State Rep. Robert Behning
9. U.S. Rep. Jackie Walorski and Joseph Bock
10. U.S. Sen. Joe Donnelly
11. U.S. Sen. Dan Coats
12. U.S. Rep. Todd Young
13. U.S. Rep. Susan Brooks
14. Indianapolis Mayor Greg Ballard
15. Evan Bayh
16. Joe Hogsett
17. Hammond Mayor Thomas McDermott Jr.
18. Baron Hill
19. Senate Appropriations Chairman Luke Kenley and Ways & Means Chairman Tim Brown
20. Chief-of-Staff Bill Smith
21. Supt. Glenda Ritz
22. Lt. Gov. Sue Ellspermann
23. Claire Fiddian-Green
24. Attorney General Greg Zoeller
25. U.S. Rep. Marlin Stutzman
26. House Minority Leader Scott Pelath
27. Jim Bopp Jr.
28. Secretary of State Connie Lawson
29. Marion Mayor Wayne Seybold
30. State Rep. Ed Clere
31. State Rep. Ed DeLaney
32. Evansville Mayor Lloyd Winnecke
33. Fort Wayne Mayor Tom Henry
34. State Reps. Greg Steuerwald & Jud McMillin, Sen. Brent Steel, and David Powell
35. Kokomo Mayor Greg Goodnight
36. South Bend Mayor Peter Buttigieg
37. Richard Lugar
38. U.S. Rep. Luke Messer

39. U.S. Rep. Todd Rokita
40. Republican Chairman Tim Berry
41. Democrat Chairman John Zody
42. State Sen. Brandt Hershman and State Rep. Eric Turner
43. Goshen Mayor Allan Kauffman and Terre Haute Mayor Duke Bennett
44. State Sen. Jim Merritt
45. Purdue President Mitch Daniels
46. U.S. Rep. Larry Bucshon
47. Rod Ratcliff
48. Doug Brown
49. State Rep. Mike Karickhoff
50. Jennifer Hallowell

V19, N17



Thursday Jan. 9, 2014

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## HPI Power 50 and HJR-6 consequences

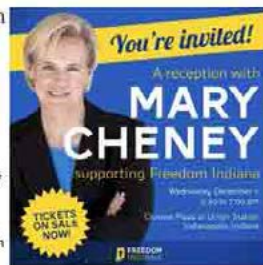
The most divisive referendum issue since the 1988 lottery will shape 2014 from the legislature to the election

**By BRIAN A. HOWEY**

INDIANAPOLIS – Ponder, if just for a moment before you delve into the 15th Annual Howey Politics Indiana Power 50 List, the law of unintended consequences.



Former Fortune Magazine economics editor Rob Norton gives a fascinating historical review. The most recent example was the Exxon Valdez oil spill disaster in 1989. In its messy wake, many American coastal states enacted laws placing unlimited liability on tanker companies. Royal Dutch/Shell responded by hiring independent shippers for its American lanes.

Norton explains: "Oil specialists fretted that other reputable shippers would flee as well rather than face such unquantifiable risk, leaving the field to fly-by-night tanker operators with leaky ships and iffy insurance. Thus, the probability of spills probably increased and the likelihood of



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collecting damages probably decreased as a consequence of the new laws."

In 1692, John Locke urged defeat of a parliamentary bill designed to cut the maximum permissible rate of interest from 6 to 4%. Locke argued that instead of benefiting borrowers, as intended, it would hurt them, Norton observed. People would find ways to circumvent the law, with the costs of circumvention borne by borrowers. To

Continued on Page 3


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## Andy through war & peace

**By BRIAN A. HOWEY**

NASHVILLE, Ind. – Scheduled to tape a public affairs program at WFYI-TV in downtown Indianapolis, I arrived promptly enough and stood at a spotlight on Meridian Street, waiting to cross. It was a windy day, and it was impossible not to notice one of the other scheduled guests – Andrew Jacobs Jr. – just outside the studio doors, chasing down pieces of litter blowing down the sidewalk. And not just one errant gum wrapper. The former congressman was involved in a personal process, working diligently to clean up this one entire street corner.

Anyone acquainted with Indiana politics knows that in the scheme of things, U.S. Rep.



**QUOTE OF THE WEEK**

**"No, they shouldn't get in. There shouldn't be cheating allowed to get into the Hall of Fame."**

*- Frank Thomas, the former Chicago White Sox slugger elected to the Hall of Fame, on steroid use by other stars of his era*

## Honorable Mention

Senate Minority Leader Tim Lanane, Policy Director Chris Atkins, INDOT Commissioner Karl Browning, Chris Chocola, Kevin Brinegar, Pat Kiely, U.S. Rep. Pete Visclosky, Marilee Springer, Matt Greller, State Sen. John Waterman, Craig Hartzler, Bill Bailey, U.S. Rep. Andre Carson, Don Bates Jr., Sasheer Zamata, LaPorte Mayor Blair Milo, Marion County Clerk Beth White, Auditor Suzanne Crouch, State Sen. Carlin Yoder, State Sen. Jim Banks, State Rep. Christina Hale, State Rep. Milo Smith, State Rep. Jerry Torr, State Rep. Ed Soliday, Eric Holcomb, State Rep. Steve Braun, Jeff Cardwell, and Dan Elsener. ❖



# Donnelly seeks to lead Democrats by example

By BRIAN A. HOWEY

INDIANAPOLIS – If leading by example is the route for a revival of the beleaguered Indiana Democratic Party, then U.S. Sen. Joe Donnelly is the man to follow.

"In my official capacity, I have visited all 92 counties," Donnelly told Howey Politics Indiana in a phone interview from Washington on Tuesday. "In my spare time, I have visited all 92 counties in an effort to help rebuild the party. We'll be more successful when we have more people involved with local campaigns. It begins with the city and township level."

In the Dec. 4 edition of Howey Politics Indiana, our analysis laid out a comprehensive look at the losses Indiana Democrats have sustained in its Congressional delegation, both legislative chambers of the General Assembly, its control of only one constitutional office at the Statehouse, and the loss of county courthouses and city halls, particularly in Southern Indiana in counties and cities that were considered Democratic strongholds less than a decade ago.

"I read it from front to back," Donnelly said of the HPI analysis. "There is no lack of desire to work nonstop to win elections and to win elections from Fort Wayne to Evansville, from Merrillville to Rising Sun. And that is in the county parties where there are enough volunteers, that is at the state party level. In some of the discussions I have had, one of the things we need to do a better job of is talking about what we have accomplished."

**He expects the** 2016 cycle to be much different than the 2014 debacle. "You look at Chrysler where almost every single job was gone in Kokomo," Donnelly said of 2008 and 2009. "Before then, 5,000 people were employed. Nobody was left. A lot of tough decisions were made by union folks, salaried employees who took cuts, lawmakers stood up with local plants and the President. Today, 7,000 people are working for Chrysler in Kokomo and Tipton, they're working at that stamping plant in Marion, at the Fort Wayne Silverado plant, and at the foundry in Bedford. I hate to think of what might have happened."

Donnelly pointed out that in his U.S. Senate race in 2012, he carried the very Republican 5th Congressional District. "Part of that was I have never been afraid to talk about incredibly difficult economic challenges we've had in 2008 and 2009," he said of the near collapse of the U.S. economy as well as the domestic auto industry. "The fact is we had to do some really tough things such as the auto restructuring, trying to make sure we didn't have a financial system collapse, and those were not easy decisions, but they were the right decisions. They were made because we stand for working families, and that's what we need to continue to do; we have to continue to talk about as a party. Our first and foremost concern has always been is making sure that every Hoosier family, whether in Columbus, in Jeffersonville, that at the end of the year their paycheck goes a little further, that new job is little bit better, and that their future is a little bit safer."

**HPI asked Donnelly** about the "disconnect" between recent campaign cycles and the issues. The classic was a study published in October showing a 60% increase in poverty in Southern Indiana, while Republicans were making major inroads in Clark, Warrick, Spencer, Posey and DuBois counties and traditionally Democratic cities like Jeffersonville, Evansville, Terre Haute and Jasper.

"We were promised during the two past administrations how we were going to see bigger paychecks, that we were going to see greater wealth for everybody, and it hasn't turned out that way," Donnelly said of the Daniels and Pence administrations. "Our commitment has to be where we look at the working family with a couple of kids and that house payment, that we make sure that your paycheck is bigger and that your life is better. That's what our mayoral candidates need to be saying. That's what our state, county and federal candidates need to be talking about. It's about jobs and opportunity. Our jobs have come back, but our wages have

not."

**Donnelly added,** "We came from 20%-plus unemployment from many parts of our state, from a devastating event, and to this day there's still a concern and fear that that's not too far away. We've just lived through that and while things seem better, they are not back to where they were. Our job is to work every day to make sure they get back to that point."

Told of 2012 gubernatorial nominee John Gregg's assessment that local Democratic parties need more investment, Donnelly pointed to the Emerging Leaders Pro-



**Sen. Donnelly campaigns with Indiana Senate candidate J.D. Ford in October. Donnelly visited all of Indiana's 92 counties, appeared at more than 400 events in 200 days in more than 120 Indiana cities and towns last year.**

gram as an example of redeveloping a base. He said that State Chairman John Zody "is out there every day working at the local level."

"You don't rebuild the baseball team by focusing on just two or three players on the major league team," Donnelly explained. "You rebuild it by building a really, really good farm system. That is our obligation."

As for sorting out a potential 2016 ticket when a U.S. Senate seat and governor are up for reelection, Donnelly said he wants the process to play out. "I'm not going to dictate who runs," he said. "We have wonderful candidates. I think we'll have terrific nominees."

## Merritt passes on Indy mayoral race

Can you say "Mayor Joe Hogsett?" At a time when Indiana Democrats are as close to rock bottom as a major party can get, it is the cowering Republican Party in Indianapolis that is acting like a lapdog. One by one, prominent Republicans have weighed running for Indianapolis mayor and all have folded, setting the stage to cede the most powerful mayorship in Indiana to the Democrats, who view it as an essential building block to attempt a comeback.

The latest was State Sen. Jim Merritt, who told Howey Politics Indiana earlier this month that after poring over

election data since 1999, "A Republican candidate can win." But he was singing a different tune Tuesday, saying in a statement, "After careful deliberation, I have decided not to run for mayor in 2015. I love the city of Indianapolis, but my responsibilities as a state senator and majority caucus chairman are my top priorities. The Republican mayoral candidate will need to hit the ground running, and due to the 2015 legislative session, I will be unable to wholeheartedly commit myself to the race for the first four months of the year. While I appreciate the encouragement I have received, my focus will remain on serving the people of Senate District 31."

A number of prominent Indianapolis Republicans tell HPI they see their party nominee starting with a 20,000- to 25,000-vote disadvantage to Hogsett in a city that has been trending Democratic for more than two decades. But Mayor Greg Ballard won two races with pluralities under 10,000 votes by running as a non-politician, staying positive and emphasizing policy. That military "can-do" mojo has escaped the GOP this year.

Merritt joins former Indiana Republican chairman J. Murray Clark, Councilman Michael McQuillen and Ryan Vaughn, former chief of staff to Mayor Ballard, to take a pass on the race. Councilman Jefferson Shreve and Public Safety Director Troy Riggs, former councilman Jeff Cardwell and a few other unnamed Republicans are now the names being bandied around in Republican circles. Riggs and Shreve have been short-term residents of Indianapolis, which could be a significant flaw in either candi-

dacy.

Merritt envisioned himself as a power broker, taking part in talks over the past week to lure the Rev. Charles Harrison into the race for the GOP nomination. But a key conservative wing of the party would have no part of the United Methodist pastor, even though he helped Mayor Ballard make significant inroads within the black church community that helped the mayor win reelection over Melina Kennedy in 2011.

Harrison has told HPI when he formed an exploratory committee that he would run as either an independent or a Libertarian. The latter option, which would break new ground for that party which hasn't had a prominent African-American candidate, would give Harrison easier ballot access. If he were to run as an independent, Democrats could be expected to vigorously challenge many of the thousand signatures he would need to collect for the ballot.

Riggs didn't arrive in Indianapolis until October 2012, when Mayor Ballard appointed him as public safety director. Riggs had served as deputy mayor in Corpus Christi, Tex., and before that as a police officer in Louisville, Ky. Indianapolis mayors ranging from Dick Lugar to Stephen Goldsmith have had candidacies compromised by police scandal and controversies. Lugar dealt with one when he challenged U.S. Sen. Birch Bayh in 1974 and the Meridian Street police brawl in August 1996 destroyed Goldsmith's gubernatorial campaign, where his ham-handed efforts in dealing with it set up his shocking upset to Democrat Frank O'Bannon. As a sitting public safety director in a city experiencing a homicide spike and where the TV newscasts feature a litany of "if it bleeds it leads" every night, Riggs would face daunting political obstacles well beyond his short tenure in the city.

It's fascinating that with the Indiana GOP's booted foot firmly on the throat of Indiana Democrats, the party is now on the verge of ceding the most influential mayoral seat. Both former senator and governor Evan Bayh and 2012 gubernatorial nominee John Gregg have told HPI that any Democratic comeback in the state has to begin with the Indianapolis mayoral race. "To win the governor's office, we have to have that mayor's seat in Indianapolis," Gregg told HPI in October 2013.

When Bayh opted out of the 2016 gubernatorial race last September, he told HPI that electing Hogsett mayor is critical for any Democratic comeback. "Fifty percent of all Hoosiers get Indianapolis television, so if all across Central Indiana every night, they see a successful, dynamic mayor who happens to be a Democrat, then they start concluding, 'Well, these Democrats can grow the economy, they really do know what they're doing with education, combating crime and so forth. We can trust them with some other things, too.'" So I think these mayors' races can really be, in Indianapolis, the big first step in trying to make the two-party system competitive again in our state." ❖



# What if Bennett had faced a grand jury?

By **SHAW FRIEDMAN**

LaPORTE – Remember how the character George Bailey in the movie, "It's a Wonderful Life," was given the gift of being able to see how events would have unfolded in his hometown of Bedford Falls if he'd never been born?

Well, we're now given the "gift" of wondering what if the U.S. attorney or the Marion County prosecutor had taken up the issue of former Supt. of Public Instruction Tony Bennett's allegedly criminal behavior in a grand jury in 2014? Several of us, including Hammond Mayor Tom McDermott, practically pleaded in November 2013 for a grand jury to be convened, only for those pleas to fall on deaf ears including many in our own party. How different would the political landscape look in Indiana today?



It's a question worth pondering as that timeless movie favorite starring Jimmy Stewart and Donna Reed plays again for appreciative audiences. Would the Legislature look a little bit

more like Bedford Falls than Pottersville next year? Would we have a few more Democrats who might have survived close races in the house of representatives and state senate? I suggest that's the case.

It's pretty damning when an investigator for the inspector general's office states conclusively in a report that former State Supt. Bennett "devised a scheme or artifice to defraud the State of Indiana by using State of Indiana paid employees and property, for his own personal gain, as well as his own political benefit to be elected."

The full report was released, not after investigative work done by either the Marion County prosecutor or U.S. attorney to unearth the material, but by an intrepid reporter with the Associated Press. It showed that from Jan. 1, 2012, to Dec. 31, 2012, more than 100 alleged violations of federal wire fraud laws occurred. The claims included 56 alleged violations by 14 different Bennett employees and 21 days in which Bennett allegedly misused his state issued SUV. Former Chief of Staff Heather Neal had the most alleged violations, 17.

**Bennett and his top staff** clearly viewed that state office as nothing more than a campaign headquarters and tales of arrogance and abuse of power are littered throughout the full 95-page report.

How different would the political terrain have been in 2014 had Tony Bennett and his cronies at the Indiana Department of Education been dealing with grand jury subpoenas and having to spend time and money with

attorneys preparing to testify under oath? Bet the Tony Bennett alumni organization would not have had the time, resources or inclination to staff the "shadow" education department known as CECI that worked almost daily in 2014 to strip authority from Supt. Glenda Ritz or defame her in leaked reports to the media.

**Had there been a criminal** investigation ongoing, can you imagine the way Indiana Democrats could have legitimately made about the "culture of corruption" under Bennett? Imagine the Democratic mailers featuring a photo of the embattled, scandal-plagued Tony Bennett arm in arm with targeted Republican legislators. That would have been a far more potent attack than going after little Rep. Eric Turner of Cicero whose name ID was nonexistent statewide and whose alleged ethics misbehavior was hard to understand even for voters in his own district. No, the Bennett allegations involved clear misuse of a state office and taxpayer dollars and would have been easy to convey. It's the kind of issue that can turn close legislative contests like the ones we lost in Lake County.

Alas, it was not to be. Unlike the Republicans, who have no hesitation about barking and braying for grand juries at even the hint of misbehavior by Democrats (see Philpot, Van Til and Butch Morgan prosecutions as examples), too many Hoosier Democrats are timid about pursuing allegations of Republican misbehavior.

This was no secret back then. Despite news leaking out in November 2013 about Bennett keeping multiple campaign databases on Department of Education servers and his calendar listing more than 100 instances of "campaign calls" during regular work hours, as well as staff directed to dissect a Glenda Ritz campaign speech for misstatements, calls were slow or nonexistent in requesting a criminal probe.

I suggest at this season of reflection that many of my Democratic brethren take a deep breath and commit to regaining some backbone and some nerve that our friends on the other side of the aisle clearly have honed in their years of winning statewide campaigns.

**When they have a political** opponent on the run with ethics issues, they don't let up. It's been 14 years since we had a state opposition research program the likes of which was run by Tom New, Pat Terrell and Robin Winston for the O'Bannon reelection, and I submit we better regain our nerve or we run the risk of many more lost statewide elections.

A few lessons in hard-nosed campaign politics from our Republican friends is just what we need in our stockings this Christmas. If not, we will be condemned to wandering the wilderness for another 20 years. As Chris Matthews says at the start of every show, "Let's play hard ball." ❖

**Shaw R. Friedman is former legal counsel for the Indiana Democratic Party and a regular contributor to HPI.**



# Divided government and dysfunction

By LEE HAMILTON

BLOOMINGTON – Divided government does not have to be dysfunctional.

Given all the words and images devoted to the midterm elections over the past few weeks, you'd think the results had told us something vital about the future of the country. In reality, they were just a curtain-raiser. It's the next few weeks and months that really matter.

The big question, as the old Congress reconvenes and prepares to make way for next year's version, is

whether the two parties will work more closely together to move the country forward or instead lapse back into confrontation and dead-lock. I suspect the answer will be a mix: Modest progress on a few issues, but no major reforms.

Overall, the deep frustration Americans feel toward Washington will likely continue. Especially since, despite the urgent problems confronting us, the



House leadership has announced an astoundingly relaxed 2015 agenda that includes not a single five-day work week, 18 weeks with no votes scheduled, and just one full month in session: January.

Still, there is hope for at least a modicum of progress. The President wants to enhance his legacy. More politicians these days seem to prefer governing to posturing. The Republican Party may have won big in the elections, but it still cannot govern alone; it will need Democratic votes in the Senate and the cooperation of the President. And both parties want to demonstrate that they recognize they're responsible for governing.

**Congress faces plenty** of issues that need addressing, which means that skillful legislators who want to show progress have an extensive menu from which to choose. Trade, health care, terrorism, responsible budgeting, rules on greenhouse gas emissions... All of these are amenable to incremental progress.

Which is not to say that progress is inevitable. President Obama acted to halt deportations of millions of illegal immigrants, though he did so without Congress. His action could unleash unpredictable consequences. Meanwhile, the new Republican Senate is almost certain to give the President's nominees a hard time; while GOP senators are unlikely to want to appear too tough on Loretta Lynch, the nominee for attorney general, the gloves will almost certainly come off for nominees who must negotiate hearings after her.

Yet indications of what next year may be like have already begun to emerge. Bills with a relatively narrow

focus that enjoy bipartisan support — boosting agricultural development aid overseas, funding research into traumatic brain injuries, giving parents with disabled children a tax break on savings for long-term expenses — either have passed the "lame-duck" Congress or stand a good chance of doing so.

**In the end, 2015 will** see a mix of small steps forward and backward. There's little chance of a minimum wage increase and it's unlikely the budget will be passed in an orderly and traditional manner. Similarly, significant and difficult issues like major entitlement and tax reform will prove hard to budge, and comprehensive immigration reform is a near impossibility. There will be no knockdown punch on Obamacare, but we'll see plenty of efforts to chip away at it.

On the other hand, Congress can probably manage to avoid a government shutdown, and it faces decent prospects of expanding and protecting our energy boom, promoting fast-track trade authority, and funding key infrastructure needs. Defense spending will not be further reduced.

The parties on Capitol Hill are highly suspicious of one another. Incoming Senate Majority Leader Mitch McConnell has said the right things about wanting more openness, a more traditional process, and more ability on the minority's part to offer amendments, but he'll be under great pressure from members of his caucus to make life hard for Democrats. Similarly, Democrats in the Senate, still fuming over what they view as obstructionism from the Republicans over the last several years, will face pressure to make life as hard as possible for the new majority.

**Yet here's the basic truth:** Divided government does not have to be dysfunctional. It can be made to work, and if incremental progress on small issues is the way to get started, then let's hope Congress and the President pursue that course. ❖

**Lee Hamilton is director of the Center on Congress at Indiana University. He was a member of the U.S. House of Representatives for 34 years.**



## Grimes to block Paul dual run

FRANKFORT, Ky. -- Six weeks after she lost her own bid for the U-S Senate, Secretary of State Alison Lundergan Grimes tells WHAS11 if U.S. Sen. Rand Paul tries to appear on the same ballot for both Senate and President in 2016, she will challenge him in court. "The law is clear," Grimes said. "You can't be on the ballot twice for two offices." Democrats are not cooperating as Paul considers mounting simultaneous campaigns for Senate and President. Democrats maintained control of the Kentucky House in last month's election, a roadblock to legislation favored by the Republican Senate to remove the prohibition. ❖

## RDA most contentious issue for NW legislators

By **RICH JAMES**

MERRILLVILLE – The most contentious issue for Northwest Indiana legislators during the upcoming session of the General Assembly likely will be the area's Regional Development Authority.



The discussion – which has been in the works for almost a year – is the ongoing funding of the RDA. For almost a decade, the state has contributed \$10 million annually to the RDA. Whether the state extends the funding for another decade is in doubt.

In addition to the state money, the cities with casinos contribute \$3.5 million annually, as do Lake and Porter counties.

Two recent developments will give the region a couple of good arguments to support ongoing state funding.

And, there is opposition from Republican legislative leaders who aren't terribly keen about giving additional money to an area largely controlled by Democrats.

Some of the RDA money has been used to help fund projects that are part of U.S. Rep. Peter Visclosky's Marquette Plan that is designed to reclaim part of the Lake Michigan shoreline for public use.

And in other cases, the money has helped waterfront cities develop projects on the lake.

As they go about seeking continued state funding for the RDA, local legislators likely will point to the extensive waterfront development in Whiting.

With the help of the RDA, Whiting has turned the Whiting Park lakefront into an attractive facility that allows residents and visitors to interact with the lakeshore. A baseball stadium is part of the lakefront development.

And during this holiday season, Whiting Mayor Joseph Stahura has put up an impressive light display along the drive through the park. The mayor says the light show has allowed the city to showcase itself to thousands of visitors from the greater Chicago area.

**Area legislators will also** have another card to play during the legislative session.

With the help of RDA funding, the Portage Lakefront and Riverwalk Park, which is part of the Indiana Dunes National Lakeshore, opened four years ago. While the park has had rave reviews, there is one problem – access is difficult.

That problem is being corrected with the help of the RDA.

The Portage Redevelopment Commission, with the help of the U.S. Army Corps of Engineers and private sec-

tor concerns, is financing a \$1.7 million project to link the lakefront park and the Portage/Ogden Dunes South Shore Railroad stop.

From there will be walking and bicycling trails to the waterfront. There also will be 300 additional parking spots.

**Future plans also include** a visitors center and a trolley to transport visitors to the park.

In terms of the Portage development, Visclosky said that while it can be difficult to start a project, "It is more difficult to keep it going." ❖

**Rich James has been writing about state and local government and politics for more than 30 years.**



## Chicago raises the minimum wage

By **MICHAEL HICKS**

MUNCIE – If the minimum wage is set above the market wage, some workers will lose jobs while some will be better paid.

Chicago has just enacted a series of minimum wage changes that are worth watching, simply because they reveal all that is true of the minimum wage debate. The new rules lift the minimum wage for non-food service hourly workers from \$8.25 to \$10 per hour this summer and then progressively to \$13 per hour by 2019. Given today's muted inflation rate that \$13 will be roughly \$11.83 in today's dollars. Dissecting this policy begins by reviewing what economists know about the minimum wage.



Wages are largely determined by labor markets, and so workers typically receive pay that is commensurate with what they can earn for their employer. So, if the minimum wage is set above the market wage, some workers will lose jobs while

some will be better paid. There is no disagreement on this among economists, or frankly anyone with a modest understanding of the matter, but low-paid jobs are not the issue.

**Existing research reveals** that the minimum wage rules can have several effects. In some instances the minimum wage costs jobs, but in most instances there is no effect. In only one, now largely discredited study was there a positive employment effect. I think research convincingly details that in most instances, local minimum wage laws have no discernable effect. The same will be

true in Chicago. There are two reasons for this; few workers work at the minimum wage, and the minimum wage is typically set well beneath the market wage.

First, few workers toil at minimum wage jobs. Nationally, only one in 50 workers hold minimum wage jobs, and half are in food service where tips are earned. Of those who hold minimum wage jobs, more than half are teenagers working casually. If we apply these numbers to the Chicago Metro area, perhaps 20,000 adults out of 4.5 million workers work at minimum wage jobs, virtually none of them in the city of Chicago.

**Second, it is probably** difficult to find anyone working at less than \$10 an hour in Chicago. In 15 minutes on an employment website I found no job offering less than \$10.50 an hour in the Chicago area. Probably fewer than four out of every 1,000 working adults in the entire Chicago area now work near the minimum wage. Of course these men and women matter. Both they and the work they perform have dignity and value. If we wish to help them better their lives, as most among us would suggest we should, surely we can figure some better way to do so than the blunt and impersonal minimum wage.

Of course I am being silly here. The minimum wage is not about helping low-wage workers. It never was. The goal of the minimum wage debate is not to boost the incomes of the working poor, or to make business pay the full cost of hiring workers. The minimum wage debate isn't about lifting all boats or rewarding honest labor. The minimum wage debate in Chicago is all about Mayor Rahm Emmanuel keeping his job. ❖

**Michael J. Hicks, PhD, is the director of the Center for Business and Economic Research and the George and Frances Ball distinguished professor of economics in the Miller College of Business at Ball State University.**

## Are wages not keeping up with productivity?

**By MORTON MARCUS**

INDIANAPOLIS – Many Americans complain their incomes are not rising fast enough to offset inflation. The press and politicians echo this view and have declared it a major problem. In addition, some workers are distressed that compensation (wages and salaries plus benefits and bonuses) are not keeping up with the gains in labor productivity.

**But is it true?** To find the answer we have to go to the data. This is like wrestlers going to the mat. It's a sweaty business of getting knocked around until you are

dizzy, exhausted, banged up and unsure what happened.

**Fortunately, the U.S. Bureau** of Labor Statistics is there to answer our questions. Their latest data lets us compare the third quarter of 2014 with the same quarter a year earlier. We'll look at non-farm business, that portion of the economy responsible for about 74 percent of Gross Domestic Product (GDP). To do that we exclude farming, government, not-for-profit institutions and private households.



On this year-over-year basis, hourly labor compensation rose by 2.2 percent. After adjusting for inflation, real hourly labor compensation grew by only 0.4 percent. For a worker making \$20 per hour, that's a gain of eight cents or \$3.20 for a 40-hour week.

Real output in the non-farm business sector rose by 3.1 percent in this period. The number of hours worked to produce that output increased by 2.1 percent. That means labor productivity (output divided by labor hours) increased one percent.

Some people, including many in the labor movement, argue that such an increase in labor productivity should be rewarded by a comparable increase in real wages. If you produce more you should earn more buying power.

This noble ideal does not mesh with reality. More than labor is involved in producing goods and services. For two centuries, we've increased uses for machinery. Owners of that equipment and the people who make it expect to see their share of rewards in those productivity gains. There are payments to be made to those who supply energy. Managerial innovation likewise enhances worker productivity (think of the assembly line) without increasing labor hours.

**Most importantly, an hour** of labor today is not necessarily equal to an hour of labor yesterday or 10 years ago. Today's workers may know more about how to produce goods and services, to work with machinery, to be efficient when employing energy, (including bonuses) and to adapt to management changes.

The standard measure of labor productivity (real output divided by hours of labor input) is a number of decreasing usefulness. To link that number with real compensation is an error made too often. If increasing education raises output, without raising hours of work, then wages should rise as a payment for what economists call "human capital."

We need to use different measures to answer that ancient question: "What is a just wage?" ❖

**Mr. Marcus is an economist, writer, and speaker who may be reached at [mortonjmarcus@yahoo.com](mailto:mortonjmarcus@yahoo.com).**



**John Sugden, open Secrets:** Following mixed results in the 2014 midterms, Club for Growth last week announced a change of leadership. As of Jan. 1, former Indiana Rep. David McIntosh (R) will replace current Club president Chris Chocola, whose tenure saw the group go through ups and downs. Club chairman Jackson T. Stephens Jr. praised the outgoing president in a statement, saying “under Chris Chocola’s leadership, the Club for Growth made tremendous gains in the fight for economic freedom and individual liberty.” The group’s anti-tax, free market principles have led it to favor lesser-known tea party candidates. In fact, its super PAC, Club for Growth Action, has spent most of its money in recent cycles opposing more mainstream GOP candidates during primaries rather than bashing Democrats in general elections. The main focus of the Club’s independent expenditures in 2014 was Mississippi’s Republican Senate primary, in which six-term Sen. Thad Cochran faced an unexpectedly stout struggle with Chris McDaniel. Club for Growth Action’s 2014 spending was up from its 2010 midterm total, but the \$7.8 million it laid out pales in comparison to the more than \$16 million the super PAC spent in 2012. Though it was a presidential election year, the Club’s spending spike was due largely to its support for Sen. Ted Cruz (R-Texas). The Club also spent big on the Indiana Senate race in 2012, investing in Republican primary challenger and state treasurer Richard Mourdock. With the Club’s help and tea party backing, Mourdock beat six-term Sen. Richard Lugar in the GOP primary. Mourdock had little trouble finding room to Lugar’s right, however he couldn’t manage to beat his Democratic opponent, Joe Donnelly, in the general election. Club for Growth Action spent \$3.6 million on the race. ❖



**Jonah Goldberg, Los Angeles Times:** I think Time missed an opportunity in not putting Jonathan Gruber on the cover. Tea partiers and Wall Street occupiers disagree on a great many things, but there’s one place where the Venn diagrams overlap: the sense we’re all being played for suckers, that the rules are being set up to benefit those who know how to manipulate the rules. The left tends to focus on Wall Street types whose bottom line depends more on lobbying Washington than satisfying the consumer. But Gruber is something special. He was supposed to be better, more pure than the fat cats. Touted by press and politicians alike as an objective and fair-minded arbiter of healthcare reform, the MIT economist was in fact a warrior for the cause, invested emotionally, politically and, it turns out, financially through undisclosed consulting arrangements. In speeches and interviews, Gruber admitted he helped the Obama administration craft the law in such a way that it would seem like it didn’t tax the American people when it did. Using insights gleaned in part from his status as an advisor to the Congressional Budget Office, Gruber helped construct an actuarial

Trojan Horse that could smuggle a tax hike past the CBO bean counters. If the individual mandate was counted as a tax it would be a big political liability for President Obama (fortunately for Obamacare, the Supreme Court saw through the subterfuge and called it tax, rendering it constitutional). Gruber then mocked the “stupidity of the American voter” for not seeing through the camouflage he helped design. Last week, in a congressional hearing that came as close to an auto-da-fé as our politics can manage, Gruber apologized for his “arrogance” as a way to duplicitously deny his previous duplicity. It was a brilliant and cynical public relations ploy. By making the issue his personality, he could avoid the tougher questions about the substance of what he said. It worked, in part, because Gruber really is arrogant. But Gruber’s arrogance goes beyond the personal. He represents the arrogance of the expert class writ large. They create systems, terms and rules that no normal person on the outside can possibly penetrate. It’s not that Americans are stupid, it’s that the experts have been geniuses at creating a system that makes normal people feel stupid. ❖

**Rich Lowry, Politico:** After waiting out 10 other U.S. presidents, the Castro regime finally hit the jackpot in Obama, whose beliefs about our Cuba policy probably don’t differ much from those of the average black-turtleneck-clad graduate student in Latin American studies. Every dictator around the world must be waiting anxiously for a call or a postcard from Obama. The leader of the free world comes bearing gifts and understanding. ❖

**Nicholas Kristoff, New York Times:** Is there any element of American foreign policy that has failed more abjectly than our embargo of Cuba? When I hear hawks denouncing President Obama for resolving to establish diplomatic relations with Cuba and ease the embargo, I don’t understand the logic. Is their argument that our policy didn’t work for the first half-century but maybe will work after 100 years? We probably helped keep the Castro regime in power by giving it a scapegoat for its economic and political failures. Look around the world, and the hard-line antique regimes that have survived — Cuba and North Korea — are those that have been isolated and sanctioned. Why do we think that isolating a regime is punishing it, rather than protecting it? Few initiatives failed more catastrophically than the American-backed Bay of Pigs invasion of Cuba in 1961. Yet while an armed invasion failed, I bet that we would have done better if we had permitted invasions of tourists, traders and investors. American tourists in Havana are already asking plaintively why Wi-Fi is so scarce — or why the toilet paper is so rough. We need hordes of them, giggling at ancient cars held together with duct tape, or comparing salaries with Cubans. Sometimes the power of weaponry fades next to the power of mockery. ❖

## Obama opens up to Cuba

WASHINGTON — The United States and Cuba ended more than a half-century of enmity Wednesday, announcing that they would reestablish diplomatic relations and begin dismantling the last pillar of the Cold War (Washington Post). The historic move, following 18 months of secret negotiations and finally made possible by Cuba's release of de-

tained U.S. aid contractor Alan Gross, fulfilled one of President Obama's key second-term goals. The decision is likely to reverberate across many political frontiers where the standoff between Washington and Havana has played a role — including across much of Latin America, where U.S. policy on Cuba has long been a source of friction. "These 50 years have shown that isolation has not worked," Obama said in a televised, midday address. "It's time for a new approach." Saying that he was "under no illusion about the continued barriers to freedom that remain for ordinary Cubans," Obama said he was convinced that "through a policy of engagement, we can more effectively stand up for our values and help the Cuban people help themselves." In simultaneous remarks in Havana, Cuban President Raúl Castro affirmed his government's willingness for dialogue on "profound differences" between the countries, "particularly on issues related to national sovereignty, democracy, human rights and foreign policy." Castro said that "Obama's decision ... deserves the respect and acknowledgment of our people." Obama and Castro — who spoke by phone Tuesday, the first such exchange between leaders of the two countries since the 1959 Cuban revolution — thanked Pope Francis and the Vatican, which they said were instrumental in promoting their dialogue, and the government of Canada, where secret talks that began in June 2013 were held.



In addition to reopening an embassy in Havana, the administration plans to significantly ease trade and financial restrictions, as well as limits on travel by Americans to Cuba, by using its regulatory and enforcement powers to evade limits imposed by a congressionally mandated embargo. Americans will be permitted to send more money to Cuban nationals, use their debit and credit cards in Cuba, and bring \$100 worth of Cuban cigars into this country. U.S. exports to Cuba will be made easier, and additional items will be authorized. U.S. banks will be allowed to open correspondent relations with banks in Cuba.

## Coats calls move 'appeasement'

INDIANAPOLIS — Reaction on Capitol Hill to President Obama's agreement to normalize relations with Cuba is mixed and Indiana Senator Dan Coats is one of the people who is speaking out against the President's agreement with Cuba (WISH-TV). He expressed his concerns first on Twitter. The Indiana Republican first welcomed the return of accused spy Alan Gross and said "I celebrate his release from imprisonment." But then he went on the offensive saying that "since 1961 nine Presidents opposed normalizing relations with Cuba." He said the announcement is "evidence that the Obama foreign policy objective is appeasement" and then he tweeted that the action "rewards the Castro regime at the expense of the Cuban people." In a 24-Hour News 8 interview he said he relies on Florida Senator Marco Rubio for advice on this matter. "And he said look, this is a communist dictatorship there that has oppressed the people," said Sen. Coats. "They try to paint a nice picture but what's going on down in Cuba still under the Castros, first Fidel and now his brother Raoul, he said is bad, bad stuff."

## Stutzman wants to see Cuba steps

INDIANAPOLIS — Rep. Marlin Stutzman, R-3rd, said in a statement that Cuban government leaders "need to show significant steps toward freeing its people by opening their political system, transitioning towards democracy, expanding human rights, and reject working with our enemies" before the U.S. considers normalizing relations (Fort Wayne Journal Gazette). Sen. Joe Donnelly, D-Ind., did not take sides on the plan. Donnelly "will continue to review the president's proposal for normalizing relations with Cuba, understanding that our foreign policy should always promote and protect the economic and security interests of the United States," Elizabeth Shappell, communications director for Donnelly, said in an email.

## U.S. says NKorea behind Sony attack

WASHINGTON — American officials have concluded that North Korea was "centrally involved" in the hacking of Sony Pictures computers, even as the studio canceled the release of a far-fetched comedy about the assassination of the North's leader that is believed to have led to the cyberattack (New York Times). Senior administration officials, who would not speak on the record about the intelligence findings, said the White House was debating whether to publicly accuse North Korea of what amounts to a cyberterrorism attack. Sony capitulated after the hackers threatened additional attacks, perhaps on theaters themselves, if the movie, "The Interview," was released. Officials said it was not clear how the White House would respond. Some within the Obama administration argue that the government of Kim Jong-un must be confronted directly. But that raises questions of what actions the administration could credibly threaten, or how much evidence to make public.